

UCSF

UC San Francisco Previously Published Works

Title

Who gave soft money? The effect of interest group resources on political contributions

Permalink

<https://escholarship.org/uc/item/40w3j7sq>

Journal

Journal of Politics, 66(4)

ISSN

0022-3816

Authors

Apollonio, DE
La Raja, RJ

Publication Date

2004-11-01

DOI

10.1111/j.0022-3816.2004.00293.x

Peer reviewed

Who Gave Soft Money? The Effect of Interest Group Resources on Political Contributions

D. E. Apollonio

University of California, San Francisco

Raymond J. La Raja

University of Massachusetts, Amherst

We consider the effect of various organizational resources on political contributions. Using a unique data set of soft money contributors from 1997 to 1998, our resource-based model examines how capital, membership, and experience influence the decision to give money to political parties. By observing decision making in a relatively unconstrained regulatory environment typified by the soft money regime, we demonstrate the conventional wisdom that financial resources determine the size of political contributions. Financial wealth, however, does not predict whether an organization will make a contribution in the first place. Instead, we show that a lack of alternative resources makes it more likely that organizations will spend money on politics. These findings have important implications for determining who benefits under various campaign finance rules.

During the 1990s, soft money contributions emerged as a new strategy for interest groups to influence politics in the United States. In the decade spanning the 1992 and 2002 elections, soft money contributions to political parties surged from \$86 to \$496 million (Federal Election Commission 2003). These contributions were not subject to limits imposed by federal campaign finance rules in the 1970s.¹ Given evidence of public concern about the potential for large contributions to corrupt the political system, Congress responded by passing the Bipartisan Campaign Reform Act (BCRA) in 2001 soon after the collapse of Enron, an energy corporation that was widely perceived as using its soft money donations to avoid federal regulations.² While policy debates focused on the donations of the so-called “fat cats,” there was little knowledge about the wider population

¹Soft money was a name coined in the 1980s for the contributions to political parties that exceed the limits established by the Federal Election Campaign Act (FECA) of 1971 and its amendments. According to the FECA, political parties could use soft money for party building activities such as voter mobilization and organizational expenses, but not for direct support of federal candidates.

²Soft money contributions to national party committees were banned by the Bipartisan Campaign Reform Act of 2002, which was signed by President Bush on March 27. The new campaign finance legislation took effect November 6, 2002, after the close of the 2002 federal election cycle.

of soft money contributors. Who were these groups? What led them to contribute? Until recently, scholars lacked the data to examine these basic questions.

We assembled a unique data set comparing soft and hard money contributors, as well as noncontributors, to examine what kinds of groups made soft money contributions. Based on an analysis of organizational resources, we find—unsurprisingly—that the soft money system advantaged an exclusive set of donors made up of wealthy organizations that were allied with one or the other major political party. Among soft money donors, large membership groups, such as labor unions and advocacy organizations, were most likely to make generous donations to political parties. However, the loosely regulated soft money regime allowed small business interests, with little prior experience in politics, to participate in greater numbers than ever.

By addressing questions about the resource characteristics of groups contributing soft money and making comparisons to hard money contributors, it is possible to see how a unique set of campaign finance rules affect political participation and the representation of interests in the United States. Our thesis is that changing the rules on political contributions affects groups differently depending on the range and quantity of their political resources. In the conclusion we discuss the implications of our findings on political participation for different kinds of organizations.

Previous Studies of Interest Group Contributions

Scholars tend to focus on three factors to explain interest group contribution patterns: organizational goals, political context, and resources. By far, the factor that receives the most attention is organizational goals. The classic dichotomy is to compare groups with *access* goals to groups with *electoral* goals (see Herrnson 2000; Sorauf 1992). Access-oriented groups (typically described as business organizations) make contributions to build relationships with sitting members of the legislature who might help them advance particularistic policies (Hall and Wayman 1990; Langbein 1986), while electoral-oriented groups (a classification that usually describes advocacy groups and labor unions) seek to change the composition of the legislature by supporting challengers who espouse their views (Eismeier and Pollock 1988; Gopoian 1984; Humphries 1991; Wilcox 1994). Overall, there is strong empirical support for a theoretical approach that emphasizes interest group goals to explain the contribution strategies of corporate and labor political action committees or PACs (Eismeier and Pollock 1988; Endersby and Munger 1992; Grier and Munger 1986, 1991, 1993; Grier, Munger, and Roberts 1994; Handler and Mulkern 1982; Masters and Zardkoohi 1988).

The second most common approach is to think of interest groups as strategic actors that vary their activities depending on the political context (Hansen 1991; Jacobson and Kernell 1981). Interest groups vary their political contributions depending on the favorability of the issue environment (Eismeier and Pollock

1986a, 1986b, 1988; Handler and Mulkern 1982), which party has majority status (Cox and Magar 1999; Rudolph 1999), the committee assignments of candidates (Grier and Munger 1991, 1993; Munger 1989), perceptions of member power (Grentzke 1989) and the direction of short-term party trends (Jacobson and Kernell 1981). Individual organizations also make decisions about participation based on their expectations about the behavior of other similarly situated organizations (Conybeare and Squire 1994; Gray and Lowery 1997; Hart 2001; Masters and Keim 1985).

A third and underutilized approach is to examine how group resources affect political contributions. Scholars acknowledge the importance of resources in organizational decision making (Baumgartner and Leech 1998; Berry 1997; Rozell and Wilcox 1998; Schlozman and Tierney 1986; Walker 1991; Wright 1996), yet few studies test explicitly the relationship between resources and political contributions. Those that study this relationship tend to confine themselves to the relationship between *financial* resources and contributions (Masters and Keim 1985; Wilcox 1989) and the employees or members of the organization who can be solicited for funds (Conybeare and Squire 1994; Delaney, Fiorito, and Masters 1988; Masters and Keim 1985). The conventional wisdom is that financial resources have a direct relationship to the level of a group's political activity. The more money available to a group, the more it spends on politics.

One limitation of previous studies of interest group behavior is that they rely almost entirely on hard money contributions by PACs, which are regulated by federal laws limiting the source and size of contributions.³ Since hard money contributions are capped, they reflect an imperfect expression of interest group preference to make donations to political committees. No matter how intensely an interest organization favors a candidate or party, it cannot contribute more than the amounts set by law. No contribution caps, however, existed under the soft money regime. Under these unconstrained circumstances, it is possible to observe the effect of organizational wealth and other resources on the willingness to make political contributions.

Another limitation of previous studies is that they fail to consider the extent to which nonfinancial resources influence political contribution strategies. Organizations, for example, may have large memberships, special legal status, or useful knowledge. To some extent, these kinds of resources are substitutes for money. Rather than make political contributions, it may be more effective for an organization to use members for grassroots activity, or draw on specialized knowledge by testifying at congressional hearings and government panels. In short, organizations that possess a range of resources may not need to rely as much on cash for political influence.

³ When we speak of PACs, we refer specifically to what the Federal Election Commission refers to as multicandidate committees.

Resource-Based Perspective on Soft Money Contributions

Resources matter in organizational decisions for obvious reasons. Political organizations use resources to hire lobbyists, mobilize followers, or make contributions to political committees. The strategies they choose depend not only on goals and the electoral context, but the resources that are available to them. An organization that advocates for the poor may *want* to hire powerful lobbyists or make large political contributions, but lacking money they are more likely to rely on grassroots efforts and alliances with other groups. In contrast, a profitable business firm seeking particularistic policy goals will likely hire influential lobbyists or form a political action committee to make contributions to candidates, or both.

We test a theory of political contributions by examining the effect of three different kinds of resources on the decision to donate soft money: (1) capital (2) membership, and (3) experience. Our fundamental assumption is that different kinds of resources can be substituted for each other to some extent in the effort to influence politics. We expect that capital matters the most and that the wealthiest organizations make the largest contributions when there are no restrictions. However, if organizations possess other kinds of resources, such as members or political experience, they have weaker incentives to make financial contributions *ceteris paribus* because they have alternative strategic options that may be more cost effective. Among politically active groups, membership is a key resource for gaining credibility among legislators (Wright 1996) and for pursuing grassroots strategies (Hojackni and Kimball 1999). The American Association of Retired Persons (AARP), for example, makes no direct political contributions, yet they gain access to officeholders because they claim to represent millions of senior citizens who can be mobilized for grassroots lobbying. In fact, making political contributions through a PAC could generate significant costs for the AARP by creating divisive factions within the organization that oppose particular contributions to candidates or parties. Thus, it is more cost effective for the AARP to avoid political contributions and focus on lobbying and alternative forms of political participation.

Other groups, such as the National Rifle Association or the Sierra Club, make political contributions *and* mobilize members of their organization during electoral campaigns by sending them political mail, newsletters, and contacting them by telephone (Magleby 2002). For such groups, there is a trade-off between making political contributions and mobilizing members. Money they spend on contributions cannot be used to communicate with members. The less these organizations spend on communications to inform and excite members, the less support they receive from them (Delaney, Fiorito, and Masters 1988). Thus, leaders of these organizations must strike a balance. All other resources being equal, we expect membership organizations are less likely to make soft money contributions than nonmembership organizations, which have fewer strategic options.

Membership organizations, however, are not all alike. *Voluntary* membership organizations must offer inducements to attract members, usually some selective benefit that encourages individuals to join (Olson 1965) or purposive benefits that focus on broader policy goals (Wilson 1974). *Involuntary* organizations, in contrast, have “captive” members who are coerced into joining if they pursue a certain occupation. The typical involuntary organization is a labor union. While voluntary organizations must solicit dues from existing and potential members, involuntary organizations frequently collect dues by garnishing the paychecks of members.

Voluntary membership groups will be less likely to make soft money contributions because leaders of these organizations have an incentive to emphasize mobilization strategies as a way of generating additional support for the organization. Advocacy groups, for example, must consider the trade-off between using their resources for political contributions and member mobilization. Involuntary membership groups have a more secure and steady source of income that can be used for political contributions since membership dues are deducted automatically from individual paychecks, making it easier for labor unions than for voluntary membership groups to raise money.

The third resource we examine is organizational experience. Over time, organizations build political relationships, learn new strategies, and improve their efficiency at accomplishing goals. Some organizations, such as the AFL-CIO and the American Society for the Prevention of Cruelty to Animals (ASPCA), have been active in politics for over a hundred years. Others, like Microsoft, are relative newcomers that have only recently become politically active. As organizations gain experience, they are more likely to increase the complexity of their political strategies. We believe that experienced organizations tend to pursue multiple strategies to secure political goals as part of the learning process (March and Olsen 1984). As a result, they were more likely to make soft money contributions. However, experience itself also serves as a substitute for money. Experience in politics helps establish reputations, strengthen political ties, and increase credibility. All other factors being equal, more experienced organizations should require fewer political contributions to exert influence. For this reason, among groups that contribute, we expect less experienced organizations to make *larger* soft money contributions.

To explain which groups made soft money contributions we divide our analysis into two critical organizational decisions. The first decision was whether the group chooses to make a soft money contribution of any amount. For this decision, we select a random sample from the population of organizations that are already politically active (see explanation in data section below) to observe which groups chose to augment their existing strategies by making a soft money contribution. The second decision organizations confronted was how much soft money they wanted to contribute, *given* that they had already chosen to make a soft money contribution. In this step, we select a subset from the previous random sample that includes only groups that made a soft money contribution to the polit-

ical parties.⁴ Applying these two decisions we put forward the following hypotheses:

Decision 1: Whether to make a soft money contribution

Capital: *The more money and employees that an organization possesses, the more likely it will be to make a soft money contribution.*

Membership: *Membership organizations (labor unions and advocacy groups) are less likely to make a soft money contribution than nonmembership organizations (business firms). Among membership organizations, voluntary associations (advocacy groups) are the least likely to make a soft money contribution.*

Experience: *Older organizations are more likely to make a soft money contribution.*

Decision 2: The size of the soft money contribution

Capital: *The more money and employees that an organization possesses, the more soft money it will contribute.*

Membership: *Membership organizations (labor unions and advocacy groups) will contribute less soft money than nonmembership organizations (business firms). Among membership organizations, voluntary groups will contribute less soft money than involuntary groups (labor unions).*

Experience: *The older an organization, the less soft money it will contribute.*

Data and Methods

We combine data on interest group characteristics and political contributions during the 1998 election cycle to analyze the effects of organizational capital, membership, and experience on decisions to make soft money contributions. In the first part of our analysis, we use a logit model to explain whether an interest group makes a soft money contribution. In the second part, we use an ordinary least-squares model to explain factors that influence the size of soft money contributions.

We generated our sample of organizations from a master list of all organizations listed in *Washington Representatives*, which attempts to catalog all interest groups that engage in any kind of national political activity. This kind of political engagement may include lobbying, testifying before Congress, making political contributions, or claiming that following national politics was a priority.⁵ Our

⁴ The two-part model is discussed in detail in Manning, Duan, and Rogers (1987). This Monte Carlo study compared the use of sample selection and two-part models, determining that two-part models were as good or better than sample selection models in the absence of extreme values of the independent variable. A later article by Leung and Yu (1996), while noting weaknesses in the Manning, Duan, and Rogers (1987) comparison of the sample selection and two-part models, nonetheless points to the strength of this model under certain conditions, and the two-part model does appear to be the appropriate choice for our data.

⁵ Ideally, we would review the population of every organized group in United States, but we could not possibly catalogue such a list. Instead, we observed the population of organizations that claimed to be active in national politics, *in some way*, as identified by *Washington Representatives*. Among

10% sample of 1,066 organizations was split fairly evenly between firms and associations (which includes trade associations, voluntary organizations, professional groups, public interest groups, or labor unions), with each type of group making up approximately 45% of the data, and governments making up the remaining 10%.⁶ We added detailed information on organizational background, resources, issue environment, and expenditures.⁷

To measure the capital of an organization, we used organizational revenues. We expect the variable *revenues* to be positively correlated with the decision to make soft money contributions and the size of contributions. We also include a measure of organizational size, specifically the number of employees in the organization. *Employee size* constitutes the real or potential pool of donors that organizations may draw upon to solicit political donations (see Conybeare and Squire 1994). Typically, business firms solicit funds for their affiliated PACs from managerial executives.⁸ The number of employees also serves as a proxy for membership size for associations.⁹

To measure whether an organization has members we distinguish between groups that typically have members and those that do not. In our classification, advocacy groups and labor unions reflect membership groups, while business firms are nonmembership groups. Given that membership is a substitute resource for money, we expect the variables *advocacy groups* and *labor unions* to be negatively related to the decision to make soft money contributions and the size of contributions. We expect the variable *firm* to be positively correlated with both decisions.

We classify firms, advocacy groups, labor unions, trade associations, and professional associations based on their Standard Industrial Classification (SIC)

these organizations our goal is to understand which ones chose to make soft money contributions. Thus, our sample is biased in the sense that it selects organizations already involved in politics to some degree, and our results should only be generalized within this population of organizations. The sample, however, does not select on the dependent variable because *Washington Representatives* lists any organization that claims to conduct one or more of a variety of political activities. Making political contributions is not the basis for being listed in this resource.

⁶Governments are included in *Washington Representatives* because they engage in some political activities, particularly lobbying. They are not included in this analysis because governments may not make soft money contributions.

⁷Background information on corporations used in this analysis was drawn from the Securities and Exchange Commission's EDGAR (Electronic Data Gathering, Analysis, and Retrieval System) filings and from public information on firms posted to online business directories. Background information on associations was drawn from *Associations Unlimited*, which provides a range of information on associations such as founding date, primary activities, issue areas, membership, dues, total budget, revenues, and number of employees (Gale Research 2003). In addition, public information provided by the organizations themselves was added when it was available.

⁸Firms can only contribute hard money to candidates by raising funds from managerial employees through firm-sponsored PACs. As the size of the managerial pool increases, so does the potential for raising money.

⁹All but the smallest associations typically hire salaried staff to perform political work, and staff size increases with the size of their membership, even though there are some economies of scale for very large organizations.

codes, which are generally accepted measures that indicate the type of activity that organizations engage in, regardless of whether or not the organization is for profit or nonprofit.¹⁰ Trade and professional organizations, in addition to social service associations such as civic and fraternal groups, typically occupy theoretical territory somewhere between firms and membership organizations in the discussion of organizational behavior. *As a result, trade and professional organizations are the baseline (suppressed) group in our model that we use to make comparisons with the other kinds of organizations.*

We measure experience by the *age of the organization*. This information is available from various sources, including *Associations Unlimited* (Gale Research 2003) and the Securities and Exchange Commission. We expect the variable organizational age to be positively correlated with the decision to make a contribution (because experienced organizations seek more complex strategies) but negatively correlated to the size of the contribution (because experience is a substitute resource for money). We also test for differential age effects among types of organizations since some may become active in politics more quickly than others.

We controlled for the size of the interest group *population* active in the same issue area. Individual organizations make decisions about participation based on their expectations about the behavior of similarly situated organizations (Olson 1965). Some research shows that groups participate less as the population of similarly situated organizations increases (Conybeare and Squire 1994; Masters and Keim 1985) while others argue the opposite (Gray and Lowery 1997). We remain agnostic about the direction of influence of population-level characteristics since we are concerned primarily with organizational resources.

The data for the dependent variable, soft money contributions, come from the Center for Responsive Politics' (CRP) database on all soft money contributors during the 1998 election cycle. We removed individual contributors and then summarized contributions by each sponsoring organization. The decision to include individual contributors in the dataset might introduce unknown biases since it is unclear empirically whether these donors make contributions based on organizational affiliation or based on other criteria, such as ideology, partisan identification, or a single issue that is unrelated to organizational affiliation.¹¹

The 1998 midterm was a fairly representative election cycle during the decade that soft money was raised and spent. There were slender majorities in the U.S. House and Senate, raising the stakes for the major parties and their supporters. Similar to previous midterm elections, most candidates ran on issues put forth

¹⁰ Advocacy groups are classified by issue area based on assigned secondary Standard Industrial Classification (SIC) codes or primary NAICS (North American Industrial Classification System) code. Trade associations were identified by their separate four-digit SIC code, as were labor unions and professional organizations.

¹¹ The Federal Election Commission provides no background data about individual soft money donors, so we could not link them to particular organizations even if we had felt this was appropriate.

TABLE 1
Distribution of Soft Money Contributors by Organizational Type,
1992–2000

	Election cycle				
	1992	1994	1996	1998	2000
Firms					
—Agriculture, energy, natural resources	9	7	1	6	4
—Construction and real estate	10	7	10	7	10
—Food and entertainment	8	4	4	5	7
—Finance and insurance	1	4	9	3	5
—Industry and manufacturing	5	9	15	17	9
—Medical	6	9	6	9	4
—Sales and service	22	28	21	27	28
—Unclassified firms	27	26	30	21	22
<i>Subtotal</i>	88%	94%	96%	95%	89%
Associations					
—Citizen and labor	1	2	1	0	1
—Trade and professional	3	1	0	3	4
—Parties and campaign organizations	4	2	3	2	3
<i>Subtotal</i>	8%	5%	4%	5%	8%
Unclassified	4	1	0	0	3
Total	100%	100%	100%	100%	100%

Notes: The number of observations = 500, with a random sample of 100 organizations per election cycle. Soft money data are from the Center for Responsive Politics (CRP).

by party policy memos and press releases (Herrnson 2000). One important difference was that the number of soft money contributors increased dramatically between the 1994 and 1998 midterm, from 4,856 to 12,253, primarily because the value of soft money increased during the 1996 elections when parties began using it extensively for campaign advertisements.¹² However, the distribution of contributors remained remarkably similar across election cycles, even during presidential years when contributions typically surge because of the added excitement and national publicity. Table 1, which contains a sample of soft money donors from elections in 1992 through 2000 shows that firms have comprised roughly nine in ten donors since soft money statistics were first compiled by the Federal Election Commission. Among firms, the distribution within subcategories is fairly consistent across time, with two groups dominating contributions,

¹² The number of contributors also spiked in 1996 (18,588) compared with 1992 (5,210). In 2000, the increase was not as dramatic (23,853) compared with the prior presidential election year. The surge occurred in 1996 because political parties discovered ways of spending soft money for campaign advertisements in targeted areas throughout the nation. This new campaign strategy raised the value of soft money considerably.

TABLE 2
Distribution of Organizations that Gave Hard and Soft Money,
1997–1998

	Number of Groups	Percent of Groups	Median Soft Contribution	Median Hard Contribution	Percent of All Soft Money	Percent of All Hard Money
Soft money	11,383	76%	\$375	\$0	41%	0%
Hard money	2,777	18%	\$0	\$10,112	0%	39%
Both	870	6%	\$25,750	\$78,295	59%	61%
<i>Total</i>	<i>15,030</i>	<i>100%</i>			<i>100%</i>	<i>100%</i>

Notes: Soft money data from the Center for Responsive Politics (CRP); hard money data from the Federal Election Commission (FEC) (Federal Election Commission 1997).

sales/service and unclassified.¹³ Even though parties mobilized additional groups starting in 1996, the distribution of organizations remained stable over several election cycles. Given this pattern, we can make generalized inferences about interest group behavior using 1998 election data.

Who Were Soft Money Donors?

Aggregate statistics provide a portrait of the typical soft money donor that is startlingly at odds with conventional accounts in the news media. Groups that gave only soft money made much smaller donations than those that gave hard money.¹⁴ The median contribution for groups giving exclusively soft money was only \$375, while the median soft money contribution for groups that also gave hard money was over \$25,000 (see Table 2).¹⁵ Furthermore, the population of groups making soft money contributions dwarfed the population of groups making hard money contributions. More than 12,000 organizations made soft money contributions in the 1998 elections, while less than 3,500 PACs made hard money contributions. These statistics suggest that lightly regulated campaign finance systems, akin to the soft money regime, lower the barriers to entry and allow more groups to contribute, even though contributions may be in relatively small amounts.

The focus of the news media has been on an elite group of donors—only 6% of the total donor population—that provided most of the hard and soft money in

¹³ The unclassified groups were firms whose area of business was not obvious, but the majority of these groups appeared to be partnerships named after their principals, which are typically law, consulting, or accounting firms.

¹⁴ The measure of hard money contributions includes both direct contributions to candidates and direct contributions to political parties.

¹⁵ We consider the median rather than the mean because there are a few large givers in both the hard money and soft money contributor population that skew mean contributions. As a result, the median provides a better description of a randomly drawn contributor.

the system. Overall, this exclusive group of 870 contributors provided roughly three-fifths of the hard money and three-fifths of the soft money contributed in the 1998 election cycle.¹⁶ Interestingly, this group emphasized primarily hard money contributions rather than soft money contributions. Their median hard money contribution (\$78,295) was more than three times larger than their median soft money contribution (\$25,750).

Within this elite group of donors, firms were clearly overrepresented. Corporations constituted 70% of the groups that made both kinds of contributions, even though these organizations were less than half of the total population of PACs.¹⁷ Labor PACs, in contrast, represented only 5% of organizations making both hard and soft money contributions, even though they make up 9% the PAC population. Similarly, nonconnected PACs (a reasonable proxy for advocacy groups) represented only 3% of dual contributors, even though they constitute 13% of all PACs. These aggregate statistics appear to support our hypothesis that membership characteristics influence the decision to make soft money contributions. To test this and other hypotheses we turn to a logit analysis of soft money contributions.

The Decision to Contribute Soft Money

The decision to make soft money contributions appears to have depended on both membership characteristics and on organizational age, but not on revenues.¹⁸ Table 3 presents our findings for a logit model that includes variables measuring each kind of resource.¹⁹ It appears that nonmembership groups, as measured by firms, were dramatically more likely to contribute soft money than the comparison group of professional and trade associations. With all variables held at their means, the difference in the probability of making soft money contributions for

¹⁶To make comparisons, the FEC list of organizations sponsoring PACs that made contributions was matched with the list of soft money contributors to identify groups that both gave soft money to parties and gave hard money through a PAC. In the event that an organization sponsored more than one PAC in 1997–1998, contributions from all of them were summed to measure the level of activity at the interest group level, rather than at the PAC level.

¹⁷Aggregate statistics on PACs that gave hard and soft money are available from the authors upon request.

¹⁸We tested the effect of each type of resource on contributions separately before constructing a joint model that included all of them. Consistent with previous research on other kinds of political spending, each appeared to explain organizational behavior when taken individually. In the joint specification, only the claims of theories about membership and experience remained significant.

¹⁹At the suggestion of an anonymous reviewer, we also tested a number of interaction terms between revenues, organizational age, and the type of organization. While none of these interaction terms were significant predictors of organizational behavior, the interaction term considering the organizational age of firms (age*firm) approached significance and is consistent with the expectation that firms are initially less motivated by politics than other kinds of organizations. As a result, we have included it in the results provided in Table 3. The same interaction terms were also tested in the second-stage regression, but none of them approached statistical significance.

TABLE 3
Determinants of the Organizational Decision to Make Soft Money Contributions, 1997–1998

Independent variable	Coefficient (s.e.)
Revenues (in billions of dollars)	.025 (.032)
Employees (in thousands)	.009 (.014)
Firm (dummy variable)	2.230* (.767)
Labor Union (dummy variable)	.948 (1.401)
Advocacy Group (dummy variable)	–1.269 (1.061)
Organizational Age (in years)	.018* (.007)
Population (in millions of groups)	–.295 (2.040)
Organizational Age * Firm (interaction term)	–.018 (.010)
Constant	–2.998 (.563)
N	241
Log Likelihood	–97.82
Pseudo R ²	.18

Notes: Figures are logit regression coefficients (Stata-generated). Dependent variable is whether an organization made a soft money contribution. The baseline (suppressed) group is trade and professional associations. * $p < .05$. Soft money data from the Center for Responsive Politics (CRP) combined with authors' compilation of organizational characteristics drawn from a variety of sources listed in text.

firms was 37 percentage points (from 9% to 46%), an increase of over four times relative to the baseline trade association with the same revenues. Membership groups, such as labor unions and advocacy organizations, did not appear more likely to make contributions than trade or professional organizations. These results support our theory that membership groups have cost-effective alternatives to making political contributions. Therefore, they are less likely to contribute soft money to political parties. We were not able to distinguish between the behaviors of voluntary and involuntary membership groups since neither was more likely to make soft money contributions than a baseline trade association.

The expectation that groups would contribute soft money as they mature was also statistically significant, although the substantive change was smaller. Nonfirm organizations (including trade and professional groups, labor unions, advocacy groups, and nonprofits) that had been in existence longer, all other factors held constant, increased their probability of making soft money contri-

butions. For example, organizations in existence for 10 years had an 8% probability of making soft money contributions, relative to organizations that had been in existence for 50 years, which had a 14% probability of making soft money contributions, an increase of nearly 100%.²⁰

The explanatory power of organizational experience is suggestive but not definitive, because we use a population of organizations that consists only of politically active groups (as defined earlier), rather than the universe of soft money contributors, many of which were not active previously in politics. However, the expectation that among similarly situated organizations the oldest were the most likely to engage in additional political action suggests what makes a contributor different from a noncontributor. As we expected, organizational age enhanced the probability that an organization would take advantage of opportunities to extend its influence. Just as experience (age) among voters is linked to higher turnout (Wolfinger and Rosenstone 1980), experience among organizations appears to augment political participation through the correlation between organizational age and learning over time (March and Olsen 1984).

The Size of Soft Money Contributions

We expected three resource factors would predict the size of soft money contributions: capital (positively related), membership (negatively related), and experience (negatively related). Our sample was generated from the previous sample that we used to predict whether an organization contributed soft money, except we removed organizations that did not make any contributions. The results, which are presented in Table 4, suggest that while money and experience influence contributions as we expected, the role of membership has an interesting twist.

The level of organizational revenues was positively correlated with spending levels, supporting the conventional wisdom that wealthier organizations use their financial resources to make larger political contributions. Every billion dollars in additional revenues was correlated with increased organizational soft money spending of slightly more than \$6,000. While the change in contribution level was a relatively small share of the change in revenues, this increase in contribution levels is larger than the maximum possible hard money contribution that a PAC could have made directly to a political candidate in any given election.

The measure of organizational experience was also significant. Experienced organizations were likely to spend less on soft money than inexperienced organizations. For every additional year an organization existed, it contributed \$2,500 less in soft money. This finding supports our expectation that it is possible to substitute some resources for others. The soft money system enabled relatively newer

²⁰ It seems plausible that the effect of organizational age might be nonlinear, but while we tested a number of age transformations (age squared, age logged), none were significant in either the first or second-stage regression. Organizations in the sample ranged in age from five years to 164 years in existence.

TABLE 4
Determinants of the Level of Organizational Soft Money Contributions
1997–1998

Independent variable	Coefficient (s.e.)
Revenues (in billions of dollars)	\$6,155* (3,473)
Employees (in thousands)	–\$955 (1,491)
Firm (dummy variable)	\$34,888 (75,876)
Labor Union (dummy variable)	\$1,279,900* (229,621)
Advocacy Group (dummy variable)	\$455,975* (225,578)
Organizational Age (in years)	–\$2,498* (934)
Population (in millions of groups)	–\$357,509 (333,143)
Constant	\$241,897 (80,492)
N	47
R ²	.49
Adjusted R ²	.40

Notes: Figures are logit regression coefficients (Stata-generated). Dependent variable is whether an organization made a soft money contribution. The baseline (suppressed) group is trade and professional associations. * $p < .05$. Soft money data from the Center for Responsive Politics (CRP) combined with authors' compilation of organizational characteristics drawn from a variety of sources listed in text.

organizations to build political relationships more quickly by demonstrating support through financial resources in *lieu* of personal relationships that take time to develop. This explanation recalls the actions of Enron, a relatively young firm that attempted to make an impression quickly with large political contributions.

The data did not fully support our hypothesis about how membership characteristics drive political contributions. Nonmembership groups (firms) did not contribute more soft money than other kinds of groups, even though they were more likely to make a contribution in the first place. Earlier, we argued that nonmembership groups would have a stronger incentive to make large political contributions because they have fewer resource alternatives. The results are not consistent with this line of reasoning. In trying to explain the anomalous results showing that firms did not contribute more than other kinds of organizations, we acknowledge the overriding importance of organizational *goals* in driving contributor behavior, as we explain in the discussion below.

We found support for our argument that involuntary membership groups (labor unions) give more money than voluntary membership organizations (advocacy

groups). Labor unions typically gave well over one million dollars more than similarly situated trade associations and firms. Advocacy groups, in contrast, contributed nearly half a million dollars more than comparable trade groups and firms.²¹ This finding supports our belief that involuntary membership groups, such as labor unions, find it easier to make political contributions because it is easier for them to raise money. Through paycheck deductions labor unions receive funds automatically from members for political contributions while most advocacy organizations do not.

Discussion

This study demonstrates that interest group resources, both financial and non-financial, affect the decision to make political contributions. While previous studies have focused on organizational goals and the political environment to explain interest group contribution strategies, we show that groups adjust to different regulatory schemes based, in part, on the breadth and depth of their organizational resources. Confirming the conventional wisdom about how wealthy organizations exploit a campaign finance system with no contribution limits, we found that revenues were an important factor in predicting the size of soft money contributions. But wealth did not predict which groups would make a soft money contribution. Instead, we found that other kinds of resources determined who would participate, such as political experience and whether the organization lacked members.

Older organizations were more likely to make soft money contributions, an observation that is consistent with prior research about how organizational learning over time tends to expand the range of group activities. Among groups that made contributions, however, younger organizations appeared to contribute more soft money than older organizations. This observation suggests a substitution effect, namely, that younger organizations may have used money to establish political relationships with parties and officeholders that typically develop over time. A campaign finance system that permits unlimited contributions, such as the soft money system, may provide inexperienced groups access or legitimacy more quickly than systems with contribution limits.

Membership, or the absence of members, also had an important influence on contribution strategies. Under a campaign finance regime with no restrictions on the source of contributions, organizations that lack members greatly expand their participation. Federal laws on hard money contributions typically constrain groups that lack members because they require donors to form PACs that raise

²¹ The larger contributions made by labor unions may also reflect the hierarchical internal structure of these organizations. National organizations frequently receive dues from local unions and allocate these aggregated funds according to goals established by the national organizations. The data, however, included contributions made by local unions as well as contributions made by national and international labor unions.

money from at least 51 individuals. Under the soft money regime, however, non-membership groups such as business firms could make contributions directly from their treasuries.

The dramatic increase in giving from the business sector was among small, local firms rather than large multinational corporations. In a random sample of 100 donors that gave only soft money, 96 organizations were business-related. Most of these organizations were local hotels, funeral homes, construction companies, towing services, dental offices, hardware stores, landscape services, legal offices, accounting firms, and retail food outlets. The four organizations that were not firms were two Native American tribes (Leech Lake Tribal Council, Mashantucket Pequot Tribe) and two educational/research institutions (Sawyer College of Business, Pathology Institute of Middle Georgia). The largest contributor in the sample was the Mashantucket Pequot Tribe, which operates Foxwoods Casino in Connecticut, with a total of \$369,000 in soft money contributions.

Based on interviews with donors and party officials we learned that national party committees aggressively exploited mailing lists to mobilize these small donors. The soft money regime apparently allowed party workers to attract donors by offering the option of giving individual hard money contributions or soft money donations through the firm.²² While many donors are reluctant to write personal checks to the party, they had fewer inhibitions about using funds from business accounts. Political participation among this class of small business owners increased rapidly because the cost of contributing declined once they could use organizational resources rather than personal funds. Thus, the soft money regime lowered barriers to participation in politics among small donors, even as it opened the door to potential abuses by large donors.

While our theory predicted that wealthy organizations would make large soft money contributions, it did not explain the degree to which some membership groups, such as labor unions and advocacy organizations, also made large contributions. We argued that membership groups have a competing incentive to mobilize members rather than donate cash. Thus, we expected nonmembership groups—the proverbial corporate “fat cats”—to make larger contributions than membership groups. We also expected to observe differences among membership groups, with involuntary membership organizations (labor unions) contributing more than voluntary organizations (advocacy groups) because involuntary organizations can raise revenues easier.

Our model demonstrates why labor unions contribute more than advocacy groups, but does not explain why both types of organizations tend to contribute

²² Interviews with more than 30 small donors and representatives of the six national party committees indicate that these small donations were generated by national party solicitations. While reluctant to divulge details of fundraising practices, party officials averred that they contacted potential donors by telephone and direct mail. Donors speculated that they were identified through their involvement with local business associations, subscriptions to policy-oriented journals, and past contributions to local politicians. Most had never contributed to the party in the past. This information is based on telephone interviews by authors, 30 June–23 July 2003.

TABLE 5
Percentage of PACs That Gave Soft Money to One Party Only,
by Organizational Type, 1997–1998

	Number of PACs giving soft money	Number of PACs giving soft money to ONE party only	Percent giving soft money to ONE party only
Corporations	608	367	60%
Labor unions	45	40	89%
Non-connected	28	23	82%
Trade	156	91	58%

Notes: Number of observations = 870. Soft money data from the Center for Responsive Politics.

more than firms. The results show that labor and advocacy groups are less likely than business firms to make a soft money donation in the first place, but *more likely* to make larger donations if they choose to contribute.

Our post-hoc explanation is that electoral goals provide a powerful incentive for labor unions and advocacy groups—both of which are typically ideological and partisan—to make large contributions to the political parties. While such groups might also want to mobilize their members in critical races, they recognize the value of supporting a political party, which allows them to pool resources with like-minded groups to pursue a coordinated partisan campaign strategy.²³ Thus, some partisan groups were more likely than firms to make large soft money contributions because the stakes were so high for them in gaining sympathetic legislative majorities. Their desire to create a favorable majority in Congress gives them a strong incentive to invest money in the major political parties, whose chief strategy is to move campaign resources into marginal districts (Gierzynski and Breaux 1998; Herrnson 1989; Jacobson 1985–86; Malbin and Gais 1998).

To examine whether partisan goals were driving the investments of labor unions and advocacy groups, we compared the percentage of these groups that made contributions to a single political party to the percentage of firms that did the same. We expected the former two groups to be party loyalists, giving mostly to one party, while business firms, in contrast, should have used soft money contributions to hedge against the possibility of a change of the party in power by giving equally to both parties. The percentages in Table 5 indicate the degree to which groups of each organizational type gave money exclusively to one political party, rather than spreading contributions across both political parties.²⁴

²³ The value of having the party coordinate campaign activities is evident from recent reports about labor unions finding it difficult to agree on a collective approach to the 2004 elections now that they cannot work with the political party using soft money. See Leigh Strope, “Unions in Disarray on Soft Money for ‘04,” *Associated Press*, June 17, 2003.

²⁴ The sample includes organizations that gave both hard money and soft money by organizational type, using the classification system provided by the Federal Election Commission.

As anticipated, labor unions and advocacy groups were much more likely to give to a single political party with their soft money contributions. Nearly 90% of labor unions gave exclusively to one political party. Similarly, nonconnected PACs, which serve as a proxy for advocacy groups, were also more likely to be party loyalists, with over 80% giving exclusively to a single political party. Corporations, in contrast, were the least likely to give to one party, with only 60% of firms contributing this way. Trade associations behaved similarly to corporations; less than 60% of these groups gave exclusively to one political party. These patterns suggest that goals matter in the allocation of political contributions. Given the balanced partisan composition of Congress, corporations and trade associations appear to hedge their bets by giving to both parties, a practice that reflects access-oriented behavior.²⁵ Further research should examine the influence of political context on resource allocation by observing contributions under varying strategic conditions, including presidential elections and state elections where partisan strength is less balanced than in Congress.

In conclusion, this study has implications for how the design of campaign finance laws affects political participation and the representation of interests. Based on the results of our resource model, we expect wealthy organizations to take advantage of regulatory systems that lack contribution limits because they use their financial resources to make large contributions. However, by limiting the size of contributions and requiring that groups make contributions through PACs, campaign finance rules raise the value of other kinds of resources, including membership and experience. Organizations benefit to the degree that they can substitute these nonfinancial resources for political activity. Large membership organizations, such as labor unions and advocacy groups, should benefit from the new federal laws because they appear to have the greatest capacity to substitute for soft money contributions with direct membership mobilization and additional hard money contributions. Experienced organizations may rely on established reputations and political ties to gain access to policymakers.

Among nonmembership groups, those that are least likely to be affected by source and size restrictions are the large and wealthy firms that made up the majority of groups giving both hard and soft money. These groups were not the majority of soft money contributors, nor were they the largest contributors, even though a corporation like Enron provided the classic image of the corporate contributor. Wealthy corporate groups will continue to spend more on politics than other kinds of organizations because they have already formed PACs that make extensive contributions. Indeed, as we observed earlier, the median hard money contribution for these elite corporate groups was much larger than the median soft money contribution. The ban on soft money affects most significantly the

²⁵ This allocation strategy may change if Republicans expand their majorities to safer margins in the House and Senate. In 2000, contribution strategies were influenced by the open presidential contests that provided an incentive for corporations to behave more like electoral groups by supporting George W. Bush, a pro-business Republican.

political participation of owners or leaders of local businesses and organizations with less than 50 employees because this group constituted the vast majority of soft money contributors.²⁷

Acknowledgment

The authors would like to acknowledge the helpful comments and advice of Henry Brady, Bruce Cain, Jon Cohen, David Kimball, Vin Moscardelli and the anonymous reviewers. They are also grateful to the Center for Responsive Politics for providing the data on soft money contributions.

Manuscript submitted March 18, 2003

Final manuscript received November 17, 2003

References

- Baumgartner, Frank R., and Beth L. Leech. 1998. *Basic Interests: The Importance of Groups in Politics and Political Science*. Princeton: Princeton University Press.
- Berry, Jeffrey M. 1997. *The Interest Group Society*, 3rd ed. New York: Longman.
- Conybeare, John A., and Peverill Squire. 1994. "Political Action Committees and the Tragedy of the Commons." *American Politics Quarterly* 22(2): 154–74.
- Cox, Gary W., and Eric Magar. 1999. "How Much is Majority Status in the U.S. Congress Worth?" *American Political Science Review* 93(2): 299–309.
- Delaney, John Thomas, Jack Fiorito, and Marick F. Masters. 1988. "The Effects of Union Organizational and Environmental Characteristics on Union Political Action." *American Journal of Political Science* 32(2): 616–42.
- Eismeier, Theodore J., and Philip H. Pollock, III. 1986a. "Politics and Markets: Corporate Money in American National Elections." *British Journal of Political Science* 16(3): 287–309.
- Eismeier, Theodore J., and Philip H. Pollock, III. 1986b. "Strategy and Choice in Congressional Elections." *American Journal of Political Science* 30(1): 197–213.
- Eismeier, Theodore J., and Philip H. Pollock, III. 1988. *Business, Money, and the Rise of Corporate PACs in American Elections*. Westport: Quorum Books.
- Endersby, James, and Michael Munger. 1992. "The Impact of Legislator Attributes on Union PAC Contributions." *Journal of Labor Research* 12(1): 79–97.
- Federal Election Commission. 1997. *Campaign Guide for Corporations and Labor Organizations*. Washington: Federal Election Commission.
- Federal Election Commission. 2003. "Party Committees Raise More than \$1 Billion in 2001–2002," News Release, March 20, 2003. <<http://www.fec.gov/press/20030320party/20030103party.html>>
- Gale Research. 2003. *Associations Unlimited, 1995–2003*. CD-ROM. Detroit: Gale.
- Gierzynski, Anthony, and David A. Breau. 1998. "The Financing Role of Parties." In *Campaign Finance in State Legislative Elections*, eds. Joel A. Thompson and Gary F. Moncrief. Washington: Congressional Quarterly, pp. 188–206.

²⁷ The observation that small business firms will be disadvantaged suggests one reason why Republicans, in general, opposed the ban on soft money contributions. Among the pool of donors that gave *exclusively* soft money, i.e., mostly small firms, 82% of contributions went to Republicans rather than Democrats. In contrast, organizations that gave exclusively hard money contributions directed just 57% of their money to Republicans.

- Gopoian, David J. 1984. "What Makes PACs Tick? An Analysis of the Allocation Patterns of Economic Interest Groups." *American Journal of Political Science* 28(2): 258–81.
- Gray, Virginia, and David Lowery. 1997. "Reconceptualizing PAC Formation: It's Not a Collective Action Problem, and It May Be an Arms Race." *American Politics Quarterly* 25(3): 319–46.
- Grentzke, Janet. 1989. "Candidate Attributes and PAC Contributions." *Western Political Quarterly* 42(2): 245–64.
- Grier, Kevin, and Michael Munger. 1986. "The Impact of Legislator Attributes on Interest Group Campaign Contributions." *Journal of Labor Research* 7(4): 349–61.
- Grier, Kevin, and Michael Munger. 1991. "Committee Assignments, Constituent Preferences, and Campaign Contributions to House Incumbents." *Economic Inquiry* 29(1): 24–43.
- Grier, Kevin, and Michael Munger. 1993. "Comparing Interest Group PAC Contributions to House and Senate Incumbents, 1980–1986." *The Journal of Politics* 55(3): 615–53.
- Grier, Kevin, Michael Munger, and B. E. Roberts. 1994. "The Determinants of Industry Political Activity." *American Political Science Review* 88(4): 911–26.
- Hall, Richard L., and Frank W. Wayman. 1990. "Buying Time: Moneyed Interests and the Mobilization of Bias in Congressional Committees." *American Political Science Review* 84(3): 797–820.
- Handler, Edward, and John Mulhern. 1982. *Business in Politics: Campaign Strategies of Corporate Political Action Committees*. Lexington: Lexington Books.
- Hansen, John Mark. 1991. *Gaining Access*. Chicago: University of Chicago Press.
- Hart, David M. 2001. "Why Do Some Firms Give? Why Do Some Firms Give a Lot? High-Tech PACs, 1977–1996." *The Journal of Politics* 63(4): 1230–49.
- Herrnson, Paul S. 1989. "National Party Decision Making, Strategies, and Resource Distribution in Congressional Elections." *Western Political Quarterly* 42(3): 301–23.
- Herrnson, Paul S. 2000. *Congressional Elections*, 3rd ed. Washington: CQ Press.
- Hojackni, Marie, and David M. Kimball. 1999. "The Who and How of Organizations' Lobbying Strategies in Committee." *The Journal of Politics* 61(4): 999–1024.
- Humphries, Craig. 1991. "Corporations, PACs and the Strategic Link Between Contributions and Lobbying Activities." *Western Political Quarterly* 44(2): 353–72.
- Jacobson, Gary. 1985–86. "Party Organization and Distribution of Campaign Resources: Republicans and Democrats in 1982." *Political Science Quarterly* 100(4): 603–25.
- Jacobson, Gary C., and Samuel Kernell. 1981. *Strategy and Choice in Congressional Elections*. New Haven: Yale University Press.
- Langbein, Laura I. 1986. "Money and Access: Some Empirical Evidence." *The Journal of Politics* 48(4): 1052–62.
- Leung, Siu F., and Shihti Yu. 1996. "On the Choice Between Sample Selection and Two-Part Models." *Journal of Econometrics* 72: 197–229.
- Magleby, David, ed. 2002. *The Other Campaign: Soft Money and Issue Advocacy in the 2000 Congressional Elections*. Lanham, MD: Rowman and Littlefield.
- Malbin, Michael J., and Thomas L. Gais. 1998. *The Day After Reform: Sobering Campaign Finance Lessons from the American States*. Albany: Rockefeller Institute Press.
- Manning, Willard G., Naihua Duan, and William H. Rogers. 1987. "Monte Carlo Evidence on the Choice Between Sample Selection and Two-Part Models." *Journal of Econometrics* 35: 59–82.
- March, James G., and Johan P. Olsen. 1984. "The New Institutionalism: Organizational Factors in Political Life." *American Political Science Review* 78(3): 734–914.
- Masters, Marick F., and Gerald D. Keim. 1985. "Determinants of PAC Participation Among Large Corporations." *The Journal of Politics* 47(4): 1158–73.
- Masters, Marick, and Asghar Zardkoohi. 1988. "Congressional Support for Unions' Positions across Diverse Legislation." *Journal of Labor Research* 9: 149–65.
- Munger, Michael. 1989. "A Simple Test of the Thesis that Committee Jurisdictions Shape Corporate PAC Contributions." *Public Choice* 62(2): 181–86.
- Olson, Mancur. 1965. *The Logic of Collective Action: Public Goods and a Theory of Groups*. Cambridge: Harvard University Press.

- Rozell, Mark, and Clyde Wilcox. 1998. *Interest Groups in American Campaigns: The New Face of Electioneering*. Washington: CQ Press.
- Rudolph, Thomas J. 1999. "Corporate and Labor PAC Contributions in House Elections: Measuring the Effects of Majority Party Status." *The Journal of Politics* 61(1): 195–206.
- Schlozman, Kay Lehman, and John T. Tierney. 1986. *Organized Interests and American Democracy*. New York: Harper and Row.
- Sorauf, Frank J. 1992. *Inside Campaign Finance: Myths and Realities*. New Haven: Yale University Press.
- Strope, Leigh. 2003. "Unions in Disarray on Soft Money for '04," *Associated Press*, June 17. Accessed June 2003. <<http://news.yahoo.com/>>
- Walker, Jack L. 1991. *Mobilizing Interest Groups in America*. Ann Arbor: University of Michigan Press.
- Wilcox, Clyde. 1989. "Organizational Variables and Contribution Behavior of Large Pacs: A Longitudinal Analysis." *Political Behavior* 11(2): 157–73.
- Wilcox, Clyde. 1994. "Coping with Increasing Business Influence: The AFL-CIO's Committee on Political Education." In *Risky Business? PAC Decisionmaking in Congressional Elections*, eds. Robert Biersack, Paul S. Herrnson, and Clyde Wilcox. Armonk: M.E. Sharpe, pp. 19–28.
- Wilson, James Q. 1974. *Political Organizations*. New York: Basic Books.
- Wolfinger, Raymond E., and Steven J. Rosenstone. 1980. *Who Votes?* New Haven: Yale University Press.
- Wright, John R. 1996. *Interest Groups and Congress: Lobbying, Contributions, and Influence*. Boston: Allyn and Bacon.

D. E. Apollonio is a Legacy Postdoctoral Fellow of the Center for Tobacco Control Research and Education, University of California, San Francisco, San Francisco, CA 94143-1390, (dapollon@itsa.ucsf.edu). Raymond J. La Raja is assistant professor of political science, University of Massachusetts, Amherst, MA 01003-9277, (laraja@polsci.umass.edu).